<u>Public Interest Issues That Must, In Compliance With The Act, Be Analyzed When Considering If An Additional ETC Should Be Designated In Rural LEC Service Areas</u>

1. What specific and factually supported consumer benefits will an ETC competitor bring to the rural market? For instance, there should be concrete evidence that (a) the introduction of another competitor will result in lower prices for consumers than those offered by the existing rural LECs and Cellular Mobile Radio Service (CMRS) competitors in the market and (b) new and/or advanced services will be provided that are not already offered in that market.[1]

2. Will new technologies actually be introduced to the rural market and do they require universal service support? Will the supported CMRS ETC provide technologies not already offered by existing CMRS competitors in the market.? Why should the technology of the new CMRS ETC be supported when the same or similar technologies of existing CMRS competitors in the area are not supported?[2]

---

[1] A preconceived bias in favor of ETC supported competitive entry is that a ETC CMRS competitor when introduced to a rural market will cause prices to be lowered and new services to be offered to consumers in the rural market. There is simply no evidence to support this bias. <u>First, existing CMRS competitors in these markets do not now offer lower rates than do existing LECs</u> and generally compete with each other based on service options, not price reductions. <u>Second, the existence of CMRS competitors has resulted in the loss of</u> both local and access <u>revenues for rural LEC</u>s. <u>This loss will convert into a requirement to increase universal service funding</u> for rural ILECs <u>or to raise, not lower, customer rates</u> in order to maintain a quality network that is universally available. <u>Artificially inserting a supported ETC CMRS competitor into an already competitive rural market will simply and uneconomically accelerate the loss of LEC revenues requiring further universal service funding increases or local rate increases by the rural LEC</u>. Finally, the evidence of Commission actions to date does not demonstrate that competitive entry will lower rates for the average consumer. Local rates for the average consumer are now much higher and toll rates, which had declined, are beginning to rise.

[2] The existence of unsupported CMRS competitors in rural LEC markets is not an isolated occurrence as demonstrated by the Commissions findings and comments filed in WT Docket Nos 02-379 and 02-381. There should be clear and convincing evidence as to why it is appropriate and in the public interest to

3. Will the additional ETCs provide (a) quality services at just, reasonable and affordable rate levels as required by the Act[3] and (b) access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas?[4]

4. Will the rural market support more that one ETC on an economically viable basis without harming the ability of the rural LEC or competitor to provide universally available service? Is it likely that the loss of lines to an ETC competitor combined with the possible loss of support to the competitor will result in increases in ILEC consumer rates and/or increases in the requirements for universal service funding by the ILEC?[5]

---

support one CMRS providers technological entry when wireless technology is already provided in the rural market on an unsupported basis by other CMRS competitors.

[3] Act, Section 254 (b)(1). In fact, a CMRS provider, even though it would be an ETC and provide "universal services," is generally not now required to provide quality services at just, reasonable and affordable rates. At odds with the public interest criteria and principles that Congress placed in the Act for the provision of universal service, CMRS ETCs generally are not required to have rate level or quality of service objectives or oversight. A fair and balanced public interest analysis would find that, as compared with the service provided by the rural LECs, this CMRS service is inferior, not in compliance with Section 254 of the Act and therefore, not in the public interest.

[4] Act, Section 254 (b)(3). In fact, CMRS ETC providers, are not providing access to presubscribed interexchange services. A fair and balanced public interest analysis would find that, as compared with the service provided by the rural LECs, this CMRS service is inferior, not in compliance with Section 254 of the Act and therefore, not in the public interest. Additionally, there appears to be no concrete evidence that CMRS providers will provide access to advanced telecommunications and information services, as do the rural LECs. If this is the case, the CMRS provider is again providing inferior service, is not in compliance with the public interest criteria for universal service in Section 254 of the Act, and should not be designated as an ETC.

[5] The Commission's Wireline Competition Bureau (WCB) rejects the proposition that designating an additional ETC into a rural sparsely populated market will cause reductions in investment or service quality

5. What are the costs of adding an ETC competitor to a rural market?

6. Will universal service funding be predictable and sufficient as required by the Act[6] if additional ETCs are introduced into the rural market?

7. Is the potential ETC financially viable and likely to remain in the market?

8. Are there currently CMRS providers in the market that are not receiving universal service support? If more than one wireless provider is providing service in a rural universal service area, these wireless providers apparently can compete effectively among themselves and with the rural wireline provider without receiving universal service funding. Is this because their rates and prices are not constrained to a just and reasonable rate for residential and business service as compared to the wireline carrier whose rates are constrained. Is this because wireless carriers are not required to

---

or consumer rate increases. At odds with this incorrect notion, a thorough public interest analysis by the WCB would show that these are valid public interest concerns. There is no evidence that the small rural ILECs are inefficient. Because of scale economics, it is unlikely that the rural LECs will be able to replace, through efficiencies, revenues (local, access and universal service) lost to CMRS ETCs. These lost revenues are essential to a rural LEC's ability to provide quality universally available service at affordable rate levels and to its ability to continue investing in existing and advanced services and technologies. Evidence demonstrating the rural LECs will experience actual and factual harm, exists in an examination of the market failure and bankruptcies of Global Crossing and WorldCom. These bankruptcies resulted in the loss of access revenues that the rural LECs rely on (as they rely on local and universal service funding revenues) to provide universal service, meet their Carrier of Last Resort (COLR) responsibilities and invest in new facilities and technologies. Because of the loss of revenues, rural LECs delayed or cancelled network upgrades and investments in advanced services. Additionally, because the rural LECs are rate of return regulated, in the longer term, this loss of essential revenues may result in increases in access rate levels. A public interest analysis, should evaluate existing competitive failures and their effects on rural LECs and the public in order to insure that the same mistakes are not repeated by blindly promoting artificially induced and supported competition into a rural market that will likely not support, economically and with sufficient universal service funding, the rural LEC and additional competitive ETCs.

[6] Act, Section 254 (b)(5).

incur the costs incurred by the wireline carrier to insure Carrier of Last Resort (COLR) service, meet quality of service objectives, etc?

9. Is it in the public interest to provide funding to these wireless providers when the fund size is growing and multiple CMRS providers already serve an area? Does that funding contribute to the public interest and consumer welfare?

10. Is it likely that the other CMRS providers that are providing service in the rural ILEC area but not receiving universal service support, will seek support if ETC status is granted to one CMRS provider? What effect will that have on the predictability and sustainability of universal service support?